

STATE OF MONTANA

SENATE

FINANCIAL-COMPLIANCE AUDIT FOR THE
TWO FISCAL YEARS ENDED JUNE 30, 1995

PERFORMED UNDER CONTRACT BY:

JAMES J. WOSEPKA
CERTIFIED PUBLIC ACCOUNTANTS

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STATE OF MONTANA

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MARY BRYSON
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LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

November 1995

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Legislative Assembly-Senate for the two fiscal years ended June 30, 1995.

The audit was conducted by James J. Wosepka, CPA, under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

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OFFICERS AND OFFICIALS

SENATE

53RD LEGISLATURE

President	Fred Van Valkenburg
President Pro Tempore	J.D. Lynch
Majority Leader	Greg Jergeson
Majority Whip	Steve Doherty
Minority Leader	Bruce Crippen
Minority Whip	John Harp
Secretary of the Senate	Claudia Clifford
Sergeant-at-Arms	Margaret Regan

54TH LEGISLATURE

President	Bob Brown
President Pro Tempore	Gary Aklestad
Majority Leader	John Harp
Majority Whip	Tom Beck
Minority Leader	Mike Halligan
Minority Whip	Steve Doherty
Secretary of the Senate	Rosana Skelton
Sergeant-at-Arms	Chuckie Cramer

INTRODUCTION

We performed a financial-compliance audit of the Montana Senate for the two fiscal years ended June 30, 1995. The objectives of the audit were to: (1) determine if the financial schedules present fairly the Office's results of operations in accordance with the State's accounting policies for the two fiscal years ended June 30, 1993; (2) determine if the Office complied with applicable laws and regulations; and (3) make recommendations for improvement in the management and internal controls of the Office.

We thank the staff of the Senate and Legislative Council for their cooperation and assistance during our audit.

BACKGROUND

Article V of the Montana Constitution of 1972, vests legislative power in a legislature comprised of the Senate and a House of Representatives. The Legislature is required to meet in a regular session of not more than 90 days each odd-numbered year. Special sessions may be convened by the Governor or upon written request of a majority of the members.

INTERNAL CONTROL

We have examined the financial schedules of the Senate for the two fiscal years ended June 30, 1995. We issued our opinion dated September 22, 1995 on these schedules. As part of our examination, we made a study and evaluation of the Senate's control system. Our study evaluated the system as required by government auditing standards for financial compliance audits. We classified the controls in the following categories:

1. Expenditures/liabilities;
2. Property, plant, and equipment; and
3. Payroll.

Our study included the control categories listed above. We applied alternative audit tests to property, plant, and equipment as we determined it was more efficient to expand substantive testing for this area. Through our study, we determined the nature, timing, and extent of our auditing procedures. We did not evaluate the control system to the extent necessary to give an opinion on either individual segments or system as a whole.

The management of the Senate is responsible for establishing and maintaining a system of accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. The objectives of a system are to provide management with reasonable assurance that: (1) assets are safeguarded against loss from unauthorized use or disposition; (2) transactions are executed in accordance with management's authorization; and (3) transactions are recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Inherent limitations in any system of controls may cause errors or

INTERNAL CONTROL (CONT.)

irregularities to remain undetected. The current system evaluation should not be used to project to future periods since the procedures may become inadequate or compliance with them may deteriorate.

The limited purpose of our study described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of controls used by the Senate.

A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of the document which, upon presentation to the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATION

The Senate was last audited for the fiscal years ending June 30, 1992 and 1993, under contract through the Office of the Legislative Auditor. No audit recommendations were made.

CURRENT AUDIT RECOMMENDATION

The Property Accountability Management System (PAMS) was not properly updated. Information was not entered or deleted from the system.

RECOMMENDATION

We recommend staff be instructed on how the input and deletion forms are to be completed, and that the PAMS be updated on a timely basis.

STATE COMPLIANCE

We reviewed compliance with state laws that could have a material impact on the financial schedules of the Senate. In our opinion, the Senate complied with the state laws and regulations tested. Nothing came to our attention that caused us to believe untested compliance issues were not in accordance with applicable laws and regulations.

INDEPENDENT AUDITORS' REPORT
AND SCHEDULES OF AGENCY FINANCIAL ACTIVITY

JAMES J. WOSEPKA

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the financial schedules of the Senate for each of the two fiscal years ended June 30, 1994 and 1995, as listed in the table of contents. These financial schedules are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Office's financial schedules are prepared in accordance with state accounting policy and are not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to in paragraph one present fairly, in all material respects, the results of operations and changes in fund balances of the Senate for each of the two fiscal years ended June 30, 1994 and 1995, in conformity with the basis of accounting described in Note 1.



Baker, Montana
September 22, 1995

LEGISLATIVE-SENATE
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994 AND 1995

	<u>General Funds</u>
FUND BALANCE: July 1, 1993	\$ <u>0</u>
ADDITIONS	
<u>Fiscal Year 1993-94</u>	
Support From State of Montana	392,605
REDUCTIONS	
<u>Fiscal Year 1993-94</u>	
Budgeted Expenditures & Transfers Out	<u>392,605</u>
FUND BALANCE: June 30, 1994	\$ <u>0</u>
ADDITIONS	
<u>Fiscal Year 1994-95</u>	
Support From State of Montana	1,389,037
REDUCTIONS	
<u>Fiscal Year 1994-95</u>	
Budgeted Expenditures & Transfers Out	<u>1,389,037</u>
FUND BALANCE: June 30, 1995	\$ <u>0</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 6-7.

LEGISLATIVE-SENATE
SCHEDULE OF PROGRAM EXPENDITURES BY OBJECT - BUDGET AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1994 AND 1995

	<u>1994</u>	<u>1995</u>
PERSONAL SERVICES		
Salaries	\$ 121,377	\$ 642,578
Other Compensation	50,000	252,500
Employee Benefits	153,274	236,267
Total	<u>324,651</u>	<u>1,131,345</u>
OPERATING EXPENSES		
Other Services	739	7,063
Supplies & Materials	1,729	16,366
Communications	529	4,503
Travel	16,677	29,476
Rent	16,919	34,185
Repair & Maintenance	1,591	41,262
Other Expenses	3,506	1,584
Total	<u>41,690</u>	<u>134,439</u>
EQUIPMENT AND INTANGIBLE ASSETS		
Equipment & Intangible Assets	26,264	123,253
Total	<u>26,264</u>	<u>123,253</u>
TOTAL PROGRAM EXPENDITURES	\$ <u>392,605</u>	\$ <u>1,389,037</u>
GENERAL FUND		
Budgeted	\$ 758,269	\$ 1,880,064
Actual	<u>392,605</u>	<u>1,389,037</u>
Unspent Budget Authority	\$ <u>365,664</u>	\$ <u>491,027</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 6-7.

SENATE

NOTES TO THE FINANCIAL SCHEDULES JUNE 30, 1994 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Senate utilizes the modified accrual basis of accounting which is described in the Montana Operations Manual, such basis differs from generally accepted accounting principles in the following material respects:

under the modified accrual basis of accounting, a valid obligation exists when the related liability is incurred including for the following items which are also considered valid obligations under state accounting policy;

- If the appropriation provided funds to complete a given project, the entire amount of a service contract may be accrued even though the services are rendered in fiscal expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which budgeted.
- Goods ordered, but not received as of the fiscal year-end, may be accrued if the purchase order was issued in the fiscal year in which the anticipated expenditure is to be accrued.

Basis of Presentation

The financial schedules were prepared from Statewide Budgeting and Accounting System (SBAS) without adjustments. Accounts are organized on the basis of funds according to State law. The following fund types are used by the office:

General - accounts for all financial resources except those required to be accounted for in another fund.

Vacation and Sick Leave

Employees and members of the Senate are not eligible for vacation and sick leave, as they are not permanent employees. They were instead paid an additional 20 cents per hour in lieu of benefits.

SENATE

NOTES TO THE FINANCIAL SCHEDULES (CONT.) JUNE 30, 1994 AND 1995

2. PENSION PLAN

Employees are covered by Montana Public Employees' Retirement System (PERS). The Senate's contributions to the plan are shown below:

Fiscal Year	Fiscal Year
1994	1995
<u>\$ 15,929</u>	<u>\$ 35,781</u>

Legislators may elect at anytime to be covered under the public retirement system. The Senate has a potential liability for the State's share of the retirement fund contribution. Such liability has not been recorded.

3. GENERAL FUND BALANCE

The General Fund is a Statewide Fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the Statewide General Fund as long as they stay within their appropriation limits. Thus, on an agency schedule, the General Fund beginning and ending fund balance will always be zero.

4. OPERATING LEASE

- (a) The Senate leases a voting system under an operating lease which terminates by June 30, 1994. The lease required a onetime payment of \$3,000 for rental of equipment and software and \$9,000 for maintenance during the lease period and \$3,400 for initial contract signing.
- (b) The Senate entered into a lease agreement with the Department of Administration for 30 microcomputers. The lease expires on June 30, 1995. The rent is \$100 per month per unit, when used.

The amount charged to rent expense for each fiscal year is as follows:

June 30, 1994	\$ 15,860
June 30, 1995	33,360

AGENCY RESPONSE

**Senate Members**

J.D. LYNCH
CHAIRMAN
AL BISHOP
ROBERT "BOB" BROWN
B.F. "CHRIS" CHRISTIAENS
BRUCE D. CRIPPEN
MIKE HALLIGAN

House Members

LARRY HAL GRINDE
VICE CHAIRMAN
DON LARSON
WILLIAM "RED" MENAHAN
JOHN A. MERCER
THOMAS E. NELSON
RAY PECK

Montana Legislative Council

Office of the Executive Director

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FAX (406) 444-3036

October 18, 1995

Executive Director

ROBERT B. PERSON

Mr. James J. Wosepka, CPA
P.O. Box 602
Baker, Montana 59313-0602

RE: Montana State Senate Audit Response

Dear Mr. Wosepka:

I have reviewed the draft audit report for the Montana State Senate submitted to me with your request for a response. I am pleased that your findings required only one minor recommendation. We will work with Senate personnel to assure the required corrections to PAMS are made.

It takes the dedication and cooperation of a number of people to make a good audit report possible. Particular credit goes to Amy Clark and Kevin Hayes whose day-to-day attention to the details and dedication to accounting propriety are indispensable. Credit is due as well as to Rosanna Skelton, Secretary of the Senate, and Chuckie Cramer, Sergeant-at-Arms, without whose cooperation successful financial management would be impossible.

It has been a pleasure working with you.

Sincerely,

A handwritten signature in cursive script that reads "Robert B. Person".

Robert B. Person
Executive Director

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